

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

**October 17, 2000**

**IN RE:**

**BELLSOUTH TELECOMMUNICATIONS INC.'S  
TARIFF FOR CONTRACT SERVICE  
ARRANGEMENT (GA 99-6921-00)**

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**DOCKET NO.  
00-00500**

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**ORDER GRANTING APPROVAL OF BELLSOUTH  
CONTRACT SERVICE ARRANGEMENT (GA 99-6921-00)**

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This matter came before the Tennessee Regulatory Authority ("Authority") at a regularly scheduled Authority Conference on July 11, 2000 on the tariff filing of BellSouth Telecommunications, Inc. ("BellSouth") for approval to offer Contract Service Arrangement No. GA 99-6921-00 ("CSA"). BellSouth filed Tariff No. 00-00500 on June 12, 2000, with a proposed effective date of July 12, 2000.

Based upon consideration of the tariff filing and attachments thereto, the Authority finds and concludes:

1. The purpose of this CSA is to provide a Volume and Term Discount to the customer identified in the filing. Through this arrangement, the customer agrees to purchase \$25.5 million worth of services throughout the BellSouth region in exchange for a fourteen percent (14%) discount.

2. The term of this CSA is three (3) years, and the CSA contains two one-year renewal options. Pursuant to the CSA, renewal occurs upon agreement of BellSouth and the customer. Because this option constructively creates a five (5) year agreement, the Directors find

that it is necessary for BellSouth and the customer to obtain the Authority's approval of any agreement to renew the CSA.

3. This CSA contains provisions for incentive awards and commitment shortfalls. The parties pay the incentive awards or commitment shortfalls during the annual true-up period. BellSouth provided an addendum executed by the customer clarifying the fact that the commitment shortfalls do not apply upon the customer's early termination of the CSA.

4. This CSA contains two termination provisions. The first relates to the termination of the underlying specific service and is linked to the tariff provision applicable to the underlying service. The second applies to the termination of the Volume and Term agreement. This termination provision requires the customer to pay a termination charge equal to the discounts received over the life of the contract or for the previous twelve (12) months, whichever is less, plus the prorated implementation and tracking costs of \$548,789.00. Because the first termination provision is contained in the underlying, previously approved tariff, it is only the second termination provision that is before the Authority in this docket.

5. BellSouth provided an addendum executed by the customer stating that the customer was aware of competitive alternatives available to it in Tennessee and that the customer and BellSouth have agreed on the termination provisions and that the termination charges represent a reasonable estimate of BellSouth's damages in the event of termination.

6. BellSouth supplied cost data which indicates that the price of services offered under the CSA exceed their long-run incremental costs. Based on this information, BellSouth has complied with the statutory price floor established in Tenn. Code Ann. § 65-5-208(c).

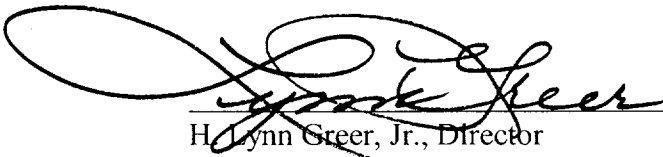
Based on the foregoing findings and conclusions, the Directors voted unanimously to approve the CSA subject to the condition that BellSouth must petition the Authority for approval

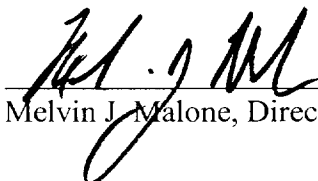
of any agreement between BellSouth and the customer to renew the CSA after the expiration of the three-year term.<sup>1</sup>

**IT IS THEREFORE ORDERED THAT:**

BellSouth Telecommunications, Inc.'s Tariff No. 00-00500, which seeks approval of Contract Service Arrangement No. GA 99-6921-00, is hereby granted subject to the condition that BellSouth must petition the Authority for approval of any agreement between BellSouth and the customer to renew the CSA after the expiration of the three-year term.

  
Sara Kyle, Chairman

  
H. Lynn Greer, Jr., Director

  
Melvin J. Malone, Director

ATTEST:

  
K. David Waddell, Executive Secretary

<sup>1</sup> Director Malone noted that, generally, the underlying tariff termination provisions with respect to the specific services that may be used to meet the volume and term requirements of a Volume and Term CSA contain buyout clauses, sometimes amounting to a ninety percent (90%) or one-hundred percent (100%) buyout. Notwithstanding Director Malone's approval of this Volume and Term CSA, he remains of the opinion that tariff termination provisions, however triggered, containing such buyouts are so potentially anticompetitive as to warrant modification by the agency on a going-forward basis.